

OIG SNAP Fraud Strategies Report Required by Senate Bill 8, Section 17, 83rd Legislature

Senate Bill 8, Section 17:

Supplemental Nutrition Assistance Program Fraud Strategies under Texas Human Resources Code, Chapter 33

Statutory Provision

The statute requires the Health and Human Services Commission (HHSC) Office of Inspector General (OIG) to review the manner in which:

- The office investigates fraud, waste, and abuse in the Supplemental Nutrition Assistance Program (SNAP) under Texas Human Resources Code, Chapter 33; and
- The office coordinates with other state and federal agencies in conducting those investigations.

The statute requires the OIG to submit a one-time report to the Legislature containing strategies for addressing SNAP fraud, waste and abuse.

Background

Section 33.011, Texas Human Resources Code provides penalties for the illegal use, transfer or possession of food stamp benefits or food stamp benefits permits and establishes a \$200 cash value minimum threshold for filing felony charges. Illegal use, transfer or possession of food stamp benefits or food stamp benefits permits is defined as trafficking under 7CFR §271.2.

Current Processes

The Office of Inspector General, General Investigations (GI) section currently investigates SNAP recipient fraud of all types including trafficking using the electronic benefit transfer (EBT) card archive system. This system tracks the EBT card number(s) associated to all SNAP certifications and all transactions associated to any EBT card.

GI receives public complaints of SNAP fraud, waste and abuse through the OIG hotline and website. Recipients are disqualified from participation in the SNAP program for committing an intentional program violation by posting SNAP benefits, EBT cards, or food products purchased with SNAP benefits for sale on social media sites such as Facebook or Craig's List. Additionally, the United States Department of Agriculture (USDA) Food and Nutrition Services (FNS) staff forwards fraud referrals to GI of Texas social media postings offering SNAP benefits or EBT cards for sale and Whistleblower complaints received through the USDA hotline from the general public. HHSC participates in the Public Assistance Reporting Information System (PARIS) Interstate Match which matches recipient data from all 50 states, the District of Columbia and Puerto Rico to prevent duplicate benefit issuance. PARIS Interstate data match information is used in administrative and criminal SNAP fraud investigations to recover SNAP benefits issued and used by recipients in multiple states.

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GI receives and responds to inquiries from federal law enforcement including the United States (U.S.) Department of Homeland Security (DHS) U.S. Immigration and Customs Enforcement, DHS U.S. Customs and Border Protection, the Internal Revenue Service, U.S. Marshals Service, Federal Bureau of Investigations, the Social Security Administration and the USDA OIG. GI conducts joint investigations with these agencies for recipients and SNAP retailers.

USDA FNS provides GI recipient EBT transaction information associated to a retailer permanently disqualified as a SNAP EBT retailer for trafficking SNAP benefits based on EBT transaction data. GI conducts administrative fraud investigations against the individuals conducting illegal transactions with the retailer.

GI receives and responds to inquiries from state law enforcement agencies including the Texas Department of Public Safety and Office of the Attorney General as well as city and county law enforcement departments statewide. GI assists in investigations with other agencies as needed and conducts joint investigations with city and county law enforcement targeted at SNAP retailers. GI maintains the FNS State Law Enforcement Bureau Agreement which provides authorization to use SNAP benefits and to utilize the EBT system for the purposes of law enforcement and EBT trafficking investigative activities.

Future Strategies

A specialized unit is in process of being developed which will be dedicated to SNAP trafficking investigations and the pursuit of criminal and administrative penalties as well as recovery of any associated overpayment dollars. This unit will redirect the current focus from recipients to aggressively pursuing retailers trafficking SNAP benefits and EBT cards. Beginning September 2014 the Texas Health and Human Services Commission (HHSC) EBT Information Technology group will send GI a monthly report of recipients who have received five or more replacement EBT cards in the prior 12 months. GI will then investigate to determine if fraud is occurring through sale or transfer of the cards.

Future strategies include the use of technology to profile retailers for EBT trafficking investigations and expend resources on cases with the highest probability of success. OIG will complete and submit to USDA an Advance Planning Document (APD) for consideration of enhanced funding to implement a new system based on graph pattern analysis. The system will analyze high volumes of data and reveal potential fraud based on patterns of behavior, activity and relationships. Information obtained through the analysis will allow GI to take preemptive action to stop or reduce fraud and abuse.

OIG intends to request commissioned peace officer designations for those staff assigned to the EBT Trafficking Unit. The purpose of the designation is to allow staff to execute arrest as well as search warrants. This would enhance the capabilities of the EBT trafficking unit in conducting investigations independently without requesting the assistance of local law enforcement personnel and expedite the completion of investigations. Additionally, OIG will pursue the authority to issue subpoenas to obtain

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evidence otherwise unavailable for SNAP fraud investigations. The strategies described above will increase the effectiveness of OIG to investigate SNAP fraud, waste, and abuse. Additionally, these strategies will increase the presence of law enforcement to combat SNAP EBT trafficking and fraud prevention through an increase in prosecution of retailers trafficking SNAP benefits or EBT cards.